

**Nassau County Economic Development Vertical  
Limited-Scope Financial Review  
Corrective Action Plan**

	<b>RECOMMENDED ACTION</b>	<b>REPORT COMMENT NUMBER</b>	<b>IMPLEMENTATION STATUS</b>
1	A firm of certified public accountants, Albrecht, Viggiano, Zureck and Company, P.C. ("Albrecht") has been hired by the administration to opine on the propriety of each expense relative to the federal grants. The county should seek restitution for any expenditures made that the firm deems to be non-reimbursable under federal grants.	1	An extensive analysis of the program income expenses was prepared as part of the response to the HUD Monitoring Report, a copy of which was submitted under separate cover. (See pp 2-10) Expenses in the amount of \$8,865.92 will be reimbursed by other County departments, agencies and entities.
2	There was no corrective action required for Audit Finding #2	2	N.A.
3	We recommend that, at a minimum, the Board of Directors promulgate directives governing appropriate IDA expenditures, and then either approve discretionary spending itself or require the IDA Executive Director to provide regular expense reports and audit those reports. In no event should a single IDA official have the authority to approve expenditures.	3	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response.
4	Documentation of discretionary spending, such as personal services contracts, advertising, and conventions, should include the following: the IDA project or initiative to which the expenditure relates; a description of the expected benefits resulting from the expenditure; how the expenditure supports the mission of the IDA; and, if relevant, the names of all participants.	3	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response.
5	Formal conflict of interest policies should be established by each of the boards of the independent corporations, and all officers, trustees, and/or board members, and policy-making staff employed in these corporations should be required to abide by these policies. These individuals should be required to complete annual disclosure statements describing all their all business holdings and investments. Any of these individuals who have interests in properties or businesses affected or potentially affected by economic development programs should disclose their interests and recuse themselves from the decision-making process to avoid even the appearance of a conflict of interest.	4	Agree in part. We do not concur with the recommendation that private corporate board members should have greater financial disclosure standards than those covering Nassau County's boards and commissions.
6	The county attorney should consider modifying the noted EDC contract language to reflect the presence on the EDC Board of individuals who also hold positions in the county government. The county and the EDC should ensure that the presence of a county official on the EDC Board creates no conflicts of interest.	4	Please see P. 29 of the County's response to the HUD Monitoring Report.

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7	OHIA should consider using county-owned vehicles or entering into other, more cost-effective arrangements.	5	Currently, all OHIA vehicles are leased. All leases terminate on 12/31/04. Prior to the lease termination date, EDV Management will work with the Nassau County Office of Fleet Management to determine the most cost effective means for replacing these vehicles. This analysis will include lease versus buy, and if leasing, the most advantageous and cost efficient lease term.
8	The IDA should promulgate policies and procedures for the competitive selection of personal services contractors, including attorneys.	6	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response.
9	OHIA should comply with the county's procurement policies and procedures for the selection of personal services contractors, including attorneys, and should not incur charges beyond those authorized by contract. It should seek a contract amendment to enable it to pay for the services rendered.	6	HUD's procurement guidelines were issued to staff. All contracts will be reviewed for compliance with these standards. Additionally, all expenses incurred by OHIA must be processed through NIFS.
10	The independent corporations and the county should negotiate lease agreements wherein the county is reimbursed at least its costs, if not the fair market value, of the space provided.	7	County space currently occupied by the IDA and EDC will be vacated.
11	All expenditures of OHIA should be processed through the existing Nassau County financial system.	8	All expenses, including 'program income' are now processed through the County's NIFS system.
12	The findings regarding the cash disbursements of the independent corporations result from a lack of internal controls. The control weaknesses evidenced by our audit should be addressed by promulgating and enforcing written policies and procedures.	8	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response. The OHIA is in the process of reviewing the requirements of the EDC's subrecipient agreement to ensure HUD's standards are met.
13	The EDC's budget should be amended to properly allocate program funds for the entire term of the contract and to reflect correct budgeted lines.	8	See above. The budget has been expanded to include project-related expenses. If the NCEDC cannot expend all funds in a timely manner, the remaining funds will be returned to OHIA. The funds previously allocated to NCEDC will be reserved for economic development projects identified and sponsored by Nassau County.
14	EDC should consider imposing an application fee similar to the fee charged by the IDA.	8	Given the types of projects – in particular affordable housing projects, NCEDC has elected not to charge an application fee. An application fee may be a disincentive for developers, businesses, and organizations to approach NCEDC for assistance. Unlike IDA, the types of services/assistance available – if any – through NCEDC are not determined until a complete application is reviewed and thoroughly discussed with the applicant. An alternative under discussion is an administrative fee upon any closing.

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15	Contracts should be reviewed before signing to ensure that they document the intention and requirement of all parties.	8	All OHIA contracts are now reviewed in detail by the OHIA Director prior to the issuance of approval by the Executive Director of Operations & Finance of the Economic Development Vertical.
16	<p>Policies and procedures should be formalized and should cover, at a minimum, the following areas:</p> <ol style="list-style-type: none"> <li>1) Procurement policies and procedures for personal service contracts, goods and construction;</li> <li>2) Policies on discretionary spending, including required approvals and budgetary controls;</li> <li>3) Procedures for receiving and inventorying purchased items;</li> <li>4) Approval path for disbursements, including purchase order and invoice payment approvals and required check signatories;</li> <li>5) Cancellation of documents to prevent duplicate payment;</li> <li>6) Personnel administration, including hiring and salary authorization and Time and Leave Administration;</li> <li>7) Financial record-keeping and reporting requirements;</li> <li>8) Cash receipts--billings and collections;</li> <li>9) Segregation of duties;</li> <li>10) Allocation/apportionment of expenses/revenues to proper entities; and</li> <li>11) Annual independent audits.</li> </ol>	8	The adoption, creation, implementation, monitoring and compliance of all necessary policies and procedures is a top priority of the new senior management team within the Economic Development Vertical. Working with the Deputy County Executive - Chief Compliance Officer (Helena Williams), the newly appointed Executive Director of Operations & Finance for the Economic Development Vertical, along with the recently appointed EDV Deputy Director for Operations and the to-be-hired EDV Deputy Director for Budget & Finance, will diligently work to ensure that all required policies and procedures are identified and implemented in an expeditious manner
17	All OHIA cash receipts should be deposited with the County Treasurer's Office at least once per week.	9	All OHIA cash receipts are now deposited with the Nassau County Treasurer's Office upon receipt.

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18	OHIA should review all transactions for which it earns fees or for which loan payments are owed. A record should be established of amounts to be paid along with the due dates of the payments. These amounts and dates should be compared to the source documents to confirm their accuracy. This accounting control should be maintained so that OHIA can assure itself that all amounts owed are collected on a timely basis and that past due amounts are followed up for collection.	9	Currently, all incoming program income checks are monitored and a record is kept for both Loans and Fees. OHIA tracks the due dates of loan payments due and these items are checked against the source document. Copies of all checks and back-up are kept and original checks are sent to the Nassau County Treasurer's Office for deposit. These payments can also be viewed in the County's NIFS system.
19	The IDA should establish a control sheet listing all transactions for which there are outstanding balances and determine if the appropriate fees have been collected on each transaction. Those clients who are not current on payments should be required to remit past due amounts.	10	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response.
20	Fees earned but not collected should be controlled through a general ledger account, periodically aged, and followed up for collection. Overpayments to the IDA should be refunded.	10	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response.
21	County departments within the Vertical should comply with county policies and procedures. A full audit was not possible within the condensed time frame of this audit, and we expect to conduct full time and leave audits in the near future. In the interim, the following should be addressed:	11	see below
	The Comptroller's timesheet should be used in each department;		The use of the standard Comptroller's Time Sheet is now standard operating practice within the Economic Development Vertical. Memoranda were issued by EDV Management regarding use of the standard time sheets. Monitoring for compliance with these directives is ongoing.
	Employees should fill in their own entries on the timesheets;		The use of the standard Comptroller's Time Sheet is now standard operating practice within the Economic Development Vertical. Memoranda were issued by EDV Management regarding use of the standard time sheets. Monitoring for compliance with these directives is ongoing.
	A segregation of duties should be enforced between the timekeeping function and the NUHRS input function;		It is our intent to have every department within the EDV assume responsibility for assigning one employee to enter time and leave and another employee to prepare timesheets, thereby accomplishing the recommended segregation of duties. Exceptions, due to staff constraints, will be kept to a minimum.
	Time and leave should be entered timely for all employees;		Time and Leave will be entered into the NUHRS System within a reasonable time frame. In the short-term, given constraints of teaching users who are new to NUHRS and monitoring the completion of such entries into NUHRS, the time frame may be slightly longer than ultimately planned. EDV Operations will ensure a timely review and in-house audit of entries wherever possible.

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	Adjustments should be made for prior absences not entered in NUHRS;		EDV Management is currently working with the Comptroller's Office to identify any employee whose time and leave may not have been properly accounted for and entered into the NUHRS system. Based upon results of the individual analyses, appropriate time and leave will be entered into the NUHRS system. Going forward, EDV management will closely monitor this situation to ensure strict compliance with time and leave record keeping, recording and system entry.
	Each unit head should be required to periodically certify to the comptroller that their unit has fully complied with promulgated policy and procedure;		EDV Management will work with the Comptroller's Office to determine appropriate method for reporting and will comply with county-wide procedures as required.
	The apparent irregularities in the records maintained by the timekeeper of the Human Rights Commission should be investigated further by appropriate county officials;		This matter is currently being investigated.
	Employees should be transferred to the responsibility center for which they work;		Cost center transfers, for all previously identified employees who were not in the appropriate cost center, have been completed. Monitoring to ensure compliance on a go-forward basis is ongoing.
	Work hours of part time employees should be documented;		All part-timers within the EDV vertical will be identified via the use of separate timesheets, and their hours will be documented and entered into NUHRS in a timely fashion.
	Records of compensatory time earned and utilized should be recorded in NUHRS.		All earned and accrued compensatory time in affected non-ordinance departments such as Planning and Human Rights will be entered into NUHRS.
22	The independent corporations should promulgate and enforce salary, benefits, and time and leave policies and procedures similar to those of the county. The Executive Directors, with the approval of the applicable Board of Directors, should authorize salary levels in writing. In those instances where an employee works for more than one unit within the Vertical, formal agreements should be drawn covering the allocation of the employee's time to each unit and the allocation and reimbursement of cost.	12	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response. OHIA is in the process of reviewing the requirements of the EDC's subrecipient agreement to ensure HUD's standards are met. Cost allocations for employees will be captured in OHIA's budget.
23	The IDA should be reimbursed for salaries paid on behalf of OHIA and NCPUA for the Director of NCPUA.	12	EDV and OHIA Management are currently working with the IDA and its counsel and the affected employee to ensure that the IDA is reimbursed in a timely and appropriate manner. We anticipate resolution by June 10, 2004.
24	The IDA should not treat employees as independent contractors. These individuals who are employees under IRS definitions, should be included in the IDA's payroll and payroll taxes and applicable benefits should be paid.	12	The IDA is a separate public benefit corporation under the laws of New York State. The IDA will be contacting the Comptroller's Office with its response.

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25	Employees should not be on both the IDA and county payrolls simultaneously; employees working solely for the county should not be on the IDA payroll and vice-versa; and where employees split their time, allocations can be used to properly charge each unit for the related time spent. Time, leave and benefits are easier to control with one payroll location and the possibility of paying excess FICA can be avoided.	12	This issue has been resolved . There are no employees who work for both the County and the IDA or who are on both payrolls.
26	NCPUA should establish a complete set of accounting records and produce periodic financial statements for the Board of Directors. It should determine if it is in compliance with the prohibition on earning a profit, and take proper steps if it is not.	13	NCPUA is in the process of setting up accounting records using Quickbooks software. It is anticipated this will be completed by June 2004. In addition, EDV management is working with the Comptroller's Office and the Treasurer's Office to migrate NCPUA over to the NIFS system. Periodic financial statements will be provided to the Board of Directors. The Administrative fee charged to NCPUA customers is a fee that is not intended to make a profit for the County but to cover the costs of the administrative functions of the Agency.
27	NCPUA should attempt to obtain copies of the unavailable cancelled checks from the bank. It should consult with the County Attorney and the Comptroller regarding the status of payments made to the IDA and to consultants that were classified as loan repayments. It should be determined if there was any authorization from the county, or any legal basis to consider these payments as loan repayments. The remaining liability should be given accounting recognition by NCPUA.	13	EDV Management and NCPUA will contact the bank to determine whether copies of the unavailable cancelled checks can be retrieved. In addition, NCPUA will consult with the Comptroller's Office and the County Attorney regarding the status of payments made to the IDA and to consultants that were classified as loan repayments to determined if there was any authorization from the County, or any legal basis to consider these payments as loan repayments. Any remaining liability will be given accounting recognition by NCPUA.
28	NCPUA contracts should be amended to include the 4 percent administrative fee.	13	Contracts will be modified as determined below.
29	NCPUA should consider contracts of shorter duration.	13	Currently, NCPUA has contractual agreements for all of its available electric energy. However, EDV Management, and NCPUA will be reviewing each agreement and the initial application provided by the customer to ascertain whether there is sufficient legal grounds to terminate or modify any or all of the agreements. If it is determined that some or all of the agreements can be terminated or modified, EDV Management, and NCPUA will evaluate agreements of shorter terms.

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30	NCPUA should research whether it is authorized to impose reasonable application fees.	13	It appears NCPUA could charge an application fee as administrative costs are allowed per the following local law. Nassau County Local Law 1984 21.110.3 Powers and Duties. "The Agency shall have the following power and duties...To enter into agreements to sell the power it purchases from the Power Authority of the State of New York, or any other entity as authorized hereby, to the eligible consumers of electricity in Nassau County at a price not to exceed the cost of such electric power, the system leasing, operating, administrative and transmission costs relating to such power, including the cost of utilizing LIPA's billing and collection systems and the administrative costs that may be incurred by Nassau County in the purchase and sale of such power but in no case shall the price to the consumer provide for a profit to Nassau County." However, the County is in the process of evaluating the impact of both an administrative fee and a proposed application fee on the prohibition on profit.
31	NCPUA and Nassau County should examine the feasibility of using NCPUA-provided energy to reduce the county's costs.	13	Currently, NCPUA has contractual agreements for all of its available electric energy. However, EDV Management and NCPUA will be reviewing each agreement and the initial application provided by the customer to ascertain whether there is sufficient legal grounds to terminate or modify any or all of the agreements. If it is determined that some or all of these energy agreements can be terminated or modified, thus freeing up energy for alternative purposes, EDV Management will further determine future opportunities for beneficial use.